

May 9, 2001

TO: Senate Subcommittee on Surface Transportation  
& Merchant Marine

FROM: Walter J. Brickwedel  
President

SUBJECT: Oregon's Short Line Railroad Infrastructure Needs

Chairman Smith, members of the Committee, I am Walt Brickwedel, President of the Oregon Short Line Railroad Association. I am also Assistant to the General Manager for Central Oregon & Pacific Railroad, the largest of Oregon's 19 short line railroads. Mr. Chairman, I am honored by your invitation to appear before this committee today. It is my privilege to speak to you about the Short Line Railroad industry in Oregon, and its infrastructure needs.

But first, let me say, that nationwide, since the 1980's over 500 short line railroads are in operation, having saved tens of thousands of miles of light density rail lines from abandonment. Today, short line railroads employ approximately 25,000 people, serve thousands of local shippers, and are often the only connection these shippers have to the national rail network. Short line and regional railroads today own, maintain and operate almost 50,000 miles of track, which is 29% of the national rail network. To survive, these lines need to be upgraded, and the freight revenues to small railroads are simply not sufficient to get the job done.

In Oregon, as it is in any other state, there is no question that its short line railroads are a vital link in the state's transportation network. Nineteen short line railroads move 135,000 rail carloads annually for more than 60% of the state's rail-served customers in approximately 200 communities, most of them rural. The short lines also offer the only rail transportation to three of Oregon's ports-two on the Columbia River, and one on the coast, the International Port of Coos Bay. In a separate folder before you is a short story about Oregon's short line railroads, along with a map showing each railroad's service area in the state.

As part of the short line story you will find a number of testimonials that attest to the importance of these railroads to Oregon's economy both for themselves and for a wide range of industries. Short lines act as capillaries for economic development, especially in rural areas, by

providing existing and potential businesses with a cost-effective mode of transportation to a widespread number of markets, locally, and nationally through the vast network of our Class I railroad partners.

Many of Oregon's short lines are unique in that their dependency is on the forest products industry, and it on us. Our principal commodities are lumber, wood products, pulp and paper, all of which make up more than half of the short lines' annual traffic and revenue base. And the importance of these commodities to consumers and to the nation's housing industry cannot be denied.

The short line rail system in Oregon covers over 1,100 miles, nearly 50% of the total track in the state. Preserving rail service to rural communities, and maintaining these 1,100 miles of track, however, does not come without a hefty price tag. Oregon's short lines were created when the state's large railroads chose to lease or sell off unprofitable branch lines and concentrate mainly on their line haul business. These unprofitable branch lines understandably had received only the barest of maintenance, and were in deplorable condition when spun off. Now it costs an average of \$4,000 - \$5,000 per mile for the state's short lines to maintain their track. All together, Oregon's short lines spend about \$8 million each year on safety and upkeep of their lines. And this does not include any capital improvements.

The Oregon Department of Transportation (ODOT) recently estimated that the state's short lines have immediate rehabilitation needs of about \$66.3 million. These infrastructure needs are necessary to bring track standards up to 25 mph. They also take into account the increased use of heavier rail cars with a gross weight of 286,000 lbs., cars promoted by the Class I railroads, but which some of our short lines cannot handle on these former branch lines. These infrastructure needs are summarized on the attached statement prepared by ODOT for inclusion in the state's 2001 Rail Plan. As you will see, these capital expenditure projects are weighted more toward new ties, new rail and bridge repairs.

One railroad, the Willamette Valley RY, has 21 of its total 32 miles that cannot handle 286,000 lb. cars. In fact it still has some 62# rail that it operates over that was rolled in 1891. The minimum weight of rail that can safely handle these heavy cars is generally 90#. Another 15 mile short line needs \$250,000 just to bring its track up to 10 mph. And a third short line, one of our largest, has 4 individual branch lines that cannot handle 286,000 cars, and each line serves a lumber shipper who is feeling the pinch of competition by not being able to load heavier cars.

These are just a few examples.

From time to time the federal government has sponsored rail assistance programs that benefit the nation's small railroads. In the past, funds were made available for railroad projects on an 80:20 match under the Local Rail Freight Assistance Program, and some are available under TEA-21. A few years ago, the Central Oregon & Pacific Railroad was fortunate to obtain a grant of \$5.5 million to rehabilitate the 87 year old swing bridge across Coos Bay. The funding, however, is still in an account waiting for the required \$1.3 million match, which the owner of the bridge, the Port of Coos Bay, is still attempting to obtain. Meanwhile, the communities south of this bridge are in jeopardy of being cut off from their only rail connection to the rest of the country.

A federal program currently in effect is a loan program, the Railroad Rehabilitation and Improvement Financing Program (RRIF) but, instead of a required match, the railroads must come up with a hefty Credit Risk Premium prior to the issuance of the loan. Only one Oregon Short Line has applied for a RRIF loan to date, with half of the amount to pay down debt and the other half to make track improvements. But because of the high premium, it has not yet accepted the loan. As a whole, Oregon's short lines cannot afford to pay a loan premium, not to mention taking on a long term debt. A targeted grant program is essential.

One bright sign for short lines in Congress this year is H.R. 1020 - The Railroad Track Modernization Act of 2001. Introduced in March, the bill authorizes General Fund appropriations of \$350 million for each of the fiscal years 2002 through 2004 in capital grants to rehabilitate, preserve, or improve the track on small railroads. The driving factor behind this proposed legislation is to ensure that the nation's small railroads continue to operate safely and efficiently, particularly when handling the heavier, 286,000 lb. rail cars now common in the railroad industry.

H.R. 1020 has broad bipartisan support in the House, and was endorsed by the American Short Line and Regional Railroad Association, the Association of American Railroads, rail labor groups and all of the Class I railroads. I'd like to personally thank Mr. Davidson and Mr. Rose for their support of this important piece of legislation, and for their unwavering, ongoing support of the short line railroad industry in general. Mr. Chairman, I am asking you today, if you also will consider supporting our industry's efforts to upgrade its infrastructure by sponsoring a similar bill in the Senate.

I can speak personally about the needs of the railroad where I

am employed-The Central Oregon & Pacific Railroad. We operate 387 miles in Southwestern Oregon, and another 63 miles in Northern California. The maximum speed on our railroad is 25 mph, but our average, system-wide, is a mere 14 mph. Our entire Coos Bay Line of 135 miles to and beyond the Coos Bay rail bridge must be brought up to FRA Class II safety standards of operation at 25 mph. Currently 60% of that track does not meet those standards. We estimate the project cost to be \$6 million, which will involve replacing well over 100,000 ties and the resurfacing of the entire line.

An engineering study also estimated that we will need upward of \$20 million to enlarge three tunnels over the summit connecting Oregon with California in order to handle high capacity rail cars, and intermodal and stack pack equipment. As Southern Oregon cities close to California continue to grow, it is critical that our rail system be able to handle the increasing demand for rail services, especially intermodal rail.

As you can see, the need to preserve and improve light density rail lines is great, especially those in rural areas that often have taken an economic back seat to other areas of the country for years, resulting in their neglect. Infrastructure improvements not only benefit small railroads and their shippers, but help promote economic development and enhance public safety and the environment. I hope I have shown, through the Oregon experience, that a strong, healthy, national short line railroad industry is paramount to a well balanced transportation system in this country. Your sponsorship and support of legislation toward this goal would be most welcomed.

Thank you for the privilege to testify before you today. I will be happy to entertain any questions you may have.